

**MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
MOUNT VERNON, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

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# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Thomas Wieseler	President	2013
Bob Penn	Vice President	2011
Deb Herrmann	Board Member	2011
Jeff Walberg	Board Member	2011
Ann Stoner	Board Member	2011
John Cochrane	Board Member	2013
Paul Morf	Board Member	2013
(After September 2011 election)		
Thomas Wieseler	President	2013
Darrin Gage	Vice President	2015
John Cochrane	Board Member	2013
Paul Morf	Board Member	2013
Shannon Amundson	Board Member	2015
Virginia Roudabush	Board Member	2015
Mark Weldon	Board Member	2015
<u>School Officials</u>		
Pam Ewell	Superintendent	2013
Matt Burke	District Secretary/Treasurer and Business Manager	2012
Brian Gruhn	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Mount Vernon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mount Vernon Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mount Vernon Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2012 on our consideration of Mount Vernon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 54 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mount Vernon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein). For the six years ended June 30, 2011, we expressed unqualified opinions on those financial statements. For the year ended June 30, 2005, we expressed an adverse opinion on the financial statements due to the omission of the discretely presented component unit and unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The supplementary information included in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
October 26, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Mount Vernon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$11,576,699 in fiscal 2011 to \$11,550,473 in fiscal 2012, while General Fund expenditures increased from \$10,377,080 in fiscal 2011 to \$11,080,680 in fiscal 2012. The District's General Fund balance increased from \$1,478,163 in fiscal 2011 to \$1,956,831 in fiscal 2012.
- The decrease in General Fund revenues was due primarily to no increase in State of Iowa funding for fiscal 2012.
- The increase in General Fund expenditures was due primarily to the regular annual increase in wages and salaries as well as increasing expenditures previously reduced in cost cutting measures.
- The General Fund balance increased due primarily to a cash reserve property tax levy.
- In 2012 the District substantially completed a facility renovation project at the elementary school building primarily for the replacement of some of the heating and cooling systems and construction of additional classrooms.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mount Vernon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mount Vernon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The Fiduciary Fund statements provide financial information about activities for which Mount Vernon Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Mount Vernon Community School District Annual Financial Report***

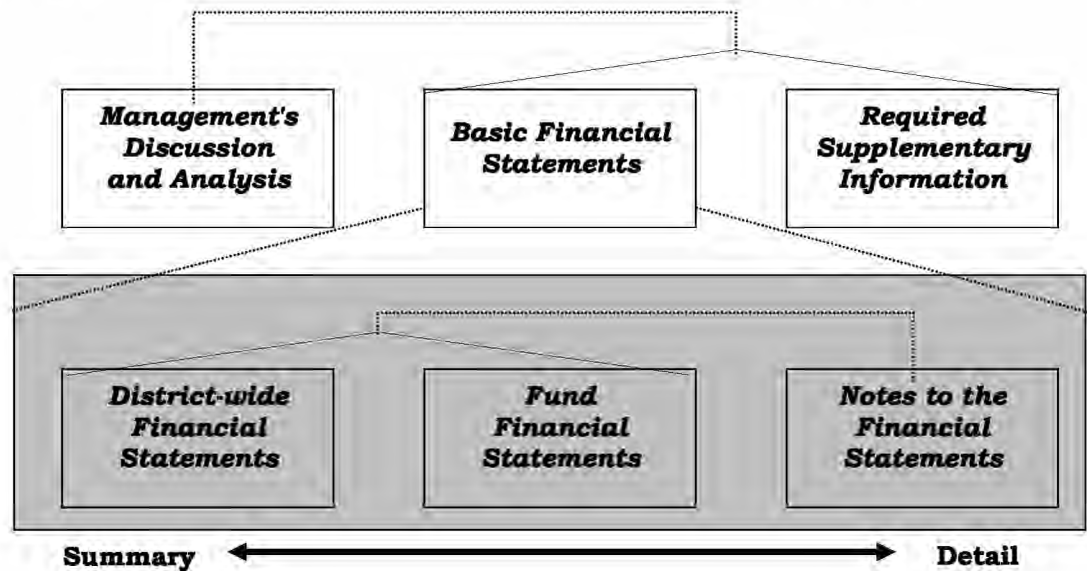




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and day care	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Daycare Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for employee wellness program funds.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 as compared to June 30, 2011.

Figure A-3  
Condensed Statement of Net Assets  
(Expressed in Thousands)

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$15,829	\$13,919	\$143	\$92	\$15,972	\$14,011	\$1,961
Capital assets	23,691	19,742	128	131	23,819	19,873	3,946
Total assets	39,520	33,661	271	223	39,791	33,884	5,907
Long-term liabilities	20,352	15,823	-	-	20,352	15,823	4,529
Other liabilities	5,718	5,987	29	23	5,747	6,010	-263
Total liabilities	26,070	21,810	29	23	26,099	21,833	4,266
Net assets:							
Invested in capital assets,							
Net of related debt	9,061	6,820	128	131	9,189	6,951	2,238
Restricted	2,180	3,534	-	-	2,180	3,534	-1,354
Unrestricted	2,209	1,497	114	69	2,323	1,566	757
Total net assets	\$13,450	\$11,851	\$242	\$200	\$13,692	\$12,051	\$1,641

The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-4 shows the change in net assets for the year ended June 30, 2012 as compared to June 30, 2011.

Figure A-4  
Changes in Net Assets  
(Expressed in Thousands)

	<u>Governmental Activities</u> June 30, <u>2012 2011</u>		<u>Business type Activities</u> June 30, <u>2012 2011</u>		<u>Total District</u> June 30, <u>2012 2011</u>		<u>Total Change</u> June 30, <u>2011-2012</u>
Revenues:							
Program revenues:							
Charges for service	\$2,342	\$2,188	\$706	\$619	\$3,048	\$2,807	8.6%
Operating grants, contributions and restricted interest	1,367	1,572	168	169	1,535	1,741	-11.8%
General revenues:							
Property tax	4,350	4,118	-	-	4,350	4,118	5.6%
Local option sales and service tax	1,047	989	-	-	1,047	989	5.9%
Unrestricted state grants	4,881	4,884	-	-	4,881	4,884	-
Unrestricted investment earnings	19	29	-	-	19	29	-34.5%
Other	457	366	-	-	457	366	24.9%
Total revenues	14,463	14,146	874	788	15,337	14,934	2.7%
Program expenses:							
Governmental activities:							
Instruction	7,976	7,338	-	-	7,976	7,338	8.7%
Support services	3,369	3,409	4	17	3,373	3,426	-1.5%
Non-instructional programs	-	-	827	759	827	759	9.0%
Other expenses	1,519	1,589	-	-	1,519	1,589	-4.4%
Total expenses	12,864	12,336	831	776	12,864	13,112	-1.9%
Change in net assets	\$1,599	\$1,810	\$42	\$12	\$1,641	\$1,822	-9.9%

Property tax and unrestricted state grants account for 64% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total governmental activities expenses.

Overall net assets increased approximately \$1,640,985 for the current year.

### **Governmental Activities**

Revenues for governmental activities were \$14,463,436 and expenses were \$12,863,987.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities  
(Expressed in Thousands)

	Total Cost of Services		Net Cost of Services	
	2011	2012	2011	2012
Instruction	\$7,338	\$7,976	\$4,292	\$4,870
Support services	3,409	3,369	3,149	3,171
Non-instructional programs	-	-	-	-
Other expenses	1,589	1,519	1,135	1,113
Totals	\$12,336	\$12,864	\$8,576	\$9,154

The cost financed by users of the District's programs was \$2,342,440.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,367,164.
- The net cost of governmental activities was financed with \$5,784,088 in property and other taxes and \$4,881,258 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$872,855 and expenses were \$831,328. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the School Board approved an increase in meal prices for the 2011-2012 fiscal year to offset increasing food costs in the Nutrition Program.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Mount Vernon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$9,938,041 as compared to last year's ending fund balances of \$7,829,510.

**Governmental Fund Highlights**

- General Fund revenues decreased from \$11,576,699 in fiscal 2011 to \$11,550,473 in fiscal 2012, while General Fund expenditures increased from \$10,377,080 in fiscal 2011 to \$11,080,680 in fiscal 2012. The District's General Fund balance increased from \$1,478,163 in fiscal 2011 to \$1,956,831 in fiscal 2012.
- The decrease in General Fund revenues was due primarily to no increase in State of Iowa funding for fiscal 2012.
- The increase in General Fund expenditures was due primarily to the regular annual increase in wages and salaries as well as increasing expenditures previously reduced in cost cutting measures.
- The General Fund balance increased due primarily to a cash reserve property tax levy.
- In 2012 the District substantially completed a facility renovation project at the elementary school building primarily for the replacement of some of the heating and cooling systems and construction of additional classrooms.

## BUDGETARY HIGHLIGHTS

No functional budget areas of the annual budget were exceeded at year end.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$23.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$652,137.

The original cost of the District's capital assets was \$30.3 million primarily in the governmental funds.

Figure A-6

Capital Assets, net of Depreciation  
(Expressed in Thousands)

	Governmental Activities June 30, <u>2012</u> <u>2011</u>		Business type Activities June 30, <u>2012</u> <u>2011</u>		Total District June 30, <u>2012</u> <u>2011</u>		Total Change June 30, <u>2011-2012</u>
Land	\$358	\$358	-	-	\$358	\$358	\$-
Construction in progress	5,367	1,016	-	-	5,367	1,016	4,351
Buildings	17,293	17,699	-	-	17,293	17,699	-406
Improvements other than buildings	248	235	-	-	248	235	13
Furniture and equipment	425	434	128	131	553	565	-12
Totals	\$23,691	\$19,742	\$128	\$131	\$23,819	\$19,873	\$3,946

### Long-Term Debt

At June 30, 2012, the District had \$20,352,721 in revenue bonds, general obligation debt, capital loan notes, and other long-term liabilities outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations  
(Expressed in Thousands)

	Total District June 30, <u>2012</u> <u>2011</u>		Total Change June 30, <u>2011-2012</u>
General obligation bonds	\$11,755	\$6,585	\$5,170
Local sales tax bonds	8,175	8,685	-510
Energy Loan Notes	260	320	-60
Early retirement	148	222	-74
OPEB liability	14	11	3
Totals	\$20,352	\$15,823	\$4,529

The general obligation bonds increased because the district issued \$5,560,000 in general obligation bonds on June 1, 2012 which will be used to refinance existing general obligation bonds resulting in economic savings through lower interest rates.

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The Iowa State Legislature had set the allowable growth percentage for State of Iowa student funding for the 2012-2013 school year at 2%.
- The federal "sequestration" law has scheduled federal funding reductions of approximately 8% scheduled for 2013-2014.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Matt Burke, School District Secretary/Treasurer, Mount Vernon Community School District, 525 Palisades Road SW, Mount Vernon, Iowa, 52314.



## Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 4,922,105	\$ 124,249	\$ 5,046,354
Cash with fiscal agent	5,502,276	-	5,502,276
Receivables:			
Property tax:			
Current year	34,654	-	34,654
Succeeding year	4,250,007	-	4,250,007
Income surtax	365,070	-	365,070
Accounts	-	15,046	15,046
Due from other governments	755,120	-	755,120
Inventories	-	4,173	4,173
Capital assets, net of accumulated depreciation (note 4)	23,690,966	127,800	23,818,766
<b>Total assets</b>	<b>39,520,198</b>	<b>271,268</b>	<b>39,791,466</b>
<b>Liabilities</b>			
Accounts payable	363,509	868	364,377
Salaries and benefits payable	912,605	15,607	928,212
Accrued interest payable	191,243	-	191,243
Deferred revenue:			
Succeeding year property tax	4,250,007	-	4,250,007
Other	-	12,878	12,878
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	124,639	-	124,639
Bonds payable	930,000	-	930,000
Notes payable	60,000	-	60,000
Portion due after one year:			
Early retirement	24,082	-	24,082
Bonds payable	19,000,000	-	19,000,000
Notes payable	200,000	-	200,000
Net OPEB liability	14,000	-	14,000
<b>Total liabilities</b>	<b>26,070,085</b>	<b>29,353</b>	<b>26,099,438</b>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 9,060,966	\$ 127,800	\$ 9,188,766
Restricted for:			
Categorical funding	22,694	-	22,694
Physical plant and equipment levy purposes	419,587	-	419,587
Student activities	92,741	-	92,741
Debt service	1,279,185	-	1,279,185
Capital projects	365,589	-	365,589
Unrestricted	2,209,351	114,115	2,323,466
Total net assets	\$ 13,450,113	\$ 241,915	\$ 13,692,028

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 7,975,995	\$ 2,338,896	\$ 767,293
Support services:			
Student services	281,041	-	173,090
Instructional staff services	646,835	-	18,733
Administration services	1,308,324	-	-
Operation and maintenance of plant services	774,132	-	-
Transportation services	358,369	3,544	1,654
	3,368,701	3,544	193,477
Other expenditures:			
Facilities acquisition	7,733	-	17,176
Long-term debt interest and fiscal charges	702,823	-	-
AEA flowthrough	389,218	-	389,218
Depreciation (unallocated) *	419,517	-	-
	1,519,291	-	406,394
Total governmental activities	12,863,987	2,342,440	1,367,164
Business-Type Activities:			
Support services:			
Administration services	1,319	-	-
Transportation services	3,161	-	-
	4,480	-	-
Non-instructional programs:			
Food service operations	615,931	487,327	167,389
Daycare operations	210,917	218,139	-
	826,848	705,466	167,389
Total business-type activities	831,328	705,466	167,389
Total	\$ 13,695,315	\$ 3,047,906	\$ 1,534,553

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (4,869,806)	\$ -	\$ (4,869,806)
(107,951)	-	(107,951)
(628,102)	-	(628,102)
(1,308,324)	-	(1,308,324)
(774,132)	-	(774,132)
(353,171)	-	(353,171)
(3,171,680)	-	(3,171,680)
9,443	-	9,443
(702,823)	-	(702,823)
-	-	-
(419,517)	-	(419,517)
(1,112,897)	-	(1,112,897)
(9,154,383)	-	(9,154,383)
-	(1,319)	(1,319)
-	(3,161)	(3,161)
-	(4,480)	(4,480)
-	38,785	38,785
-	7,222	7,222
-	46,007	46,007
-	41,527	41,527
(9,154,383)	41,527	(9,112,856)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs

---

General revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included  
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 3,254,544	\$ -	\$ 3,254,544
687,466	-	687,466
407,628	-	407,628
387,256	-	387,256
1,047,194	-	1,047,194
4,881,258	-	4,881,258
18,771	9	18,780
69,715	-	69,715
10,753,832	9	10,753,841
1,599,449	41,536	1,640,985
11,850,664	200,379	12,051,043
<u>\$ 13,450,113</u>	<u>\$ 241,915</u>	<u>\$ 13,692,028</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 2,468,709	\$ 705,075	\$ 1,574,123	\$ 174,198	\$ 4,922,105
Cash with fiscal agent	-	5,502,276	-	-	5,502,276
Receivables:					
Property tax:					
Current year	23,770	5,558	3,295	2,031	34,654
Succeeding year	2,901,370	683,626	427,327	237,684	4,250,007
Income surtax	365,070	-	-	-	365,070
Due from other governments	608,786	-	146,334	-	755,120
<b>Total assets</b>	<b>\$ <u>6,367,705</u></b>	<b>\$ <u>6,896,535</u></b>	<b>\$ <u>2,151,079</u></b>	<b>\$ <u>413,913</u></b>	<b>\$ <u>15,829,232</u></b>



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 231,829	\$ 11,390	\$ 109,667	\$ 10,623	\$ 363,509
Salaries and benefits payable	912,605	-	-	-	912,605
Deferred revenue:					
Succeeding year property tax	2,901,370	683,626	427,327	237,684	4,250,007
Other	365,070	-	-	-	365,070
Total liabilities	<u>4,410,874</u>	<u>695,016</u>	<u>536,994</u>	<u>248,307</u>	<u>5,891,191</u>
<b>Fund balances:</b>					
Restricted for:					
Categorical funding (note 12)	22,694	-	-	-	22,694
Revenue bonds	-	-	828,909	-	828,909
Revenue bonds sinking fund	-	685,330	-	-	685,330
Crossover refunding escrow	-	5,502,276	-	-	5,502,276
Debt service	-	13,913	-	-	13,913
Management levy purposes	-	-	-	72,865	72,865
Student activities	-	-	-	92,741	92,741
School infrastructure	-	-	365,589	-	365,589
Physical plant and equipment	-	-	419,587	-	419,587
Unassigned	1,934,137	-	-	-	1,934,137
Total fund balances	<u>1,956,831</u>	<u>6,201,519</u>	<u>1,614,085</u>	<u>165,606</u>	<u>9,938,041</u>
Total liabilities and fund balances	<u>\$ 6,367,705</u>	<u>\$ 6,896,535</u>	<u>\$ 2,151,079</u>	<u>\$ 413,913</u>	<u>\$ 15,829,232</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2012

Total fund balances of governmental funds	\$ 9,938,041
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	23,690,966
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	365,070
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(191,243)
Long-term liabilities, including early retirement, bonds and notes payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(20,352,721)</u>
Net assets of governmental activities	<u>\$ 13,450,113</u>
See notes to financial statements.	

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,312,781	\$ 687,201	\$ 1,454,665	\$ 256,057	\$ 5,710,704
Tuition	1,807,800	-	-	-	1,807,800
Other	208,139	1,517	27,431	394,599	631,686
State sources	5,979,408	265	157	107	5,979,937
Federal sources	242,345	-	-	-	242,345
Total revenues	11,550,473	688,983	1,482,253	650,763	14,372,472
Expenditures:					
Current:					
Instruction	7,574,394	-	9,374	453,658	8,037,426
Support services:					
Student services	298,961	-	-	-	298,961
Instructional staff services	440,408	-	179,367	-	619,775
Administration services	1,146,208	-	10,370	142,883	1,299,461
Operation and maintenance of plant services	903,180	-	-	-	903,180
Transportation services	328,311	-	-	10,545	338,856
	3,117,068	-	189,737	153,428	3,460,233
Other expenditures:					
Facilities acquisition	-	-	4,293,760	-	4,293,760
Long term debt:					
Principal	-	960,000	-	-	960,000
Interest and fiscal charges	-	702,670	-	-	702,670
AEA flowthrough	389,218	-	-	-	389,218
	389,218	1,662,670	4,293,760	-	6,345,648
Total expenditures	11,080,680	1,662,670	4,492,871	607,086	17,843,307
Excess (deficiency) of revenues over (under) expenditures	469,793	(973,687)	(3,010,618)	43,677	(3,470,835)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Sale of equipment	\$ 1,478	\$ -	\$ -	\$ -	1,478
Compensation for loss of capital assets	7,397	-	-	-	7,397
Interfund transfers in (note 3)	-	917,903	-	-	917,903
Interfund transfers out (note 3)	-	-	(917,903)	-	(917,903)
General obligation bonds issued	-	5,560,000	-	-	5,560,000
Premium on bonds issued	-	10,491	-	-	10,491
Total other financing sources (uses)	8,875	6,488,394	(917,903)	-	5,579,366
Net change in fund balances	478,668	5,514,707	(3,928,521)	43,677	2,108,531
Fund balances beginning of year	1,478,163	686,812	5,542,606	121,929	7,829,510
Fund balances end of year	\$ <u>1,956,831</u>	\$ <u>6,201,519</u>	\$ <u>1,614,085</u>	\$ <u>165,606</u>	\$ <u>9,938,041</u>

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 2,108,531

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 4,581,071	
Depreciation expense	<u>(632,048)</u>	3,949,023

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 71,598

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (5,560,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 960,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (153)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	73,450	
Net OPEB liability	<u>(3,000)</u>	<u>70,450</u>

Change in net assets of governmental activities \$ 1,599,449

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012

	<u>Nonmajor Enterprise Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 124,249
Accounts receivable	15,046
Inventories	4,173
Capital assets, net of accumulated depreciation (note 4)	<u>127,800</u>
Total assets	<u>271,268</u>
<b>Liabilities</b>	
Accounts payable	868
Salaries and benefits payable	15,607
Deferred revenue	<u>12,878</u>
Total liabilities	<u>29,353</u>
<b>Net Assets</b>	
Invested in capital assets	127,800
Unrestricted	<u>114,115</u>
Total net assets	<u>\$ 241,915</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	<u>Nonmajor Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>705,466</u>
Operating expenses:	
Support services:	
Administration services	1,319
Transportation services	3,161
Non-instructional programs	<u>826,848</u>
	<u>831,328</u>
Operating loss	(125,862)
Non-operating revenues:	
Interest on investments	9
State sources	5,275
Federal sources	<u>162,114</u>
Total non-operating revenues	<u>167,398</u>
Change in net assets	41,536
Net assets beginning of year	<u>200,379</u>
Net assets end of year	\$ <u><u>241,915</u></u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>          </u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 462,858
Cash received from miscellaneous operating activities	229,645
Cash payments to employees for services	(435,002)
Cash payments to suppliers for goods or services	<u>(376,907)</u>
Net cash used by operating activities	<u>(119,406)</u>
Cash flows from non-capital financing activities:	
State grants received	5,275
Federal grants received	<u>148,539</u>
Net cash provided by non-capital financing activities	<u>153,814</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(17,073)</u>
Cash flows from investing activities:	
Interest on investments	<u>9</u>
Net increase in cash and cash equivalents	17,344
Cash and cash equivalents beginning of year	<u>106,905</u>
Cash and cash equivalents end of year	<u>\$ 124,249</u>



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>          </u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (125,862)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	20,089
Commodities used	13,575
(Increase) in accounts receivable	(15,046)
(Increase) in inventories	(974)
Increase in accounts payable	72
Increase in salaries and benefits payable	3,777
(Decrease) in interfund payable	(17,120)
Increase in deferred revenue	<u>2,083</u>
Net cash used by operating activities	\$ <u><u>(119,406)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$13,575 of federal commodities.

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2012

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>1,938</u>	\$ <u>34,347</u>
Liabilities:		
Accounts payable	-	1,281
Other payables	<u>-</u>	<u>33,066</u>
Total liabilities	<u>-</u>	<u>34,347</u>
Net assets:		
Reserved for scholarships	\$ <u><u>1,938</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2012

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,000
Interest	<u>4</u>
Total additions	<u>1,004</u>
Deductions:	
None	<u>-</u>
Change in net assets	1,004
Net assets beginning of year	<u>934</u>
Net assets end of year	\$ <u><u>1,938</u></u>

See notes to financial statements.

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 1. Summary of Significant Accounting Policies

Mount Vernon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Mount Vernon, Iowa, and agricultural territory in Johnson, Jones, and Linn Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Mount Vernon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Mount Vernon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

The District appoints members of the Mount Vernon School Foundation Board, which is considered a related organization.

#### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary funds:

The District's enterprise funds are the School Nutrition Fund, Daycare Fund, and Summer Daycare Fund. These funds are used to account for the food service, daycare, and summer daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 1. Summary of Significant Accounting Policies (continued)

#### D. Assets, Liabilities and Fund Equity (continued)

**Income Surtax Receivable** – Income surtax budgeted for the fiscal year ended June 30, 2012 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

**Due From Other Governments** – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Inventories** – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

**Salaries and Benefits Payable** – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets for governmental activities consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for the proprietary funds and business-type activities consists of unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2012.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments as follows:

	<u>Amortized Cost/ Fair Value</u>
Iowa Schools Joint Investment Trust, Diversified Portfolio	\$ 1,520,045
U.S. Treasury Notes	5,502,276
Money Market Mutual Fund	<u>5</u>
	<u>\$ 7,022,326</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The U.S. treasury notes and the money market mutual fund are stated at fair value.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust and the money market mutual fund were rated AAAM by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>917,903</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 358,137	\$ -	\$ -	\$ 358,137
Construction in progress	1,016,352	4,350,741	-	5,367,093
Total capital assets not being depreciated	<u>1,374,489</u>	<u>4,350,741</u>	<u>-</u>	<u>5,725,230</u>
Capital assets being depreciated:				
Buildings	21,197,466	8,100	-	21,205,566
Improvements other than buildings	776,507	32,071	4,955	803,623
Furniture and equipment	2,216,120	190,159	32,203	2,374,076
Total capital assets being depreciated	<u>24,190,093</u>	<u>230,330</u>	<u>37,158</u>	<u>24,383,265</u>
Less accumulated depreciation for:				
Buildings	3,498,932	413,975	-	3,912,907
Improvements other than buildings	541,119	19,509	4,955	555,673
Furniture and equipment	1,782,588	198,564	32,203	1,948,949
Total accumulated depreciation	<u>5,822,639</u>	<u>632,048</u>	<u>37,158</u>	<u>6,417,529</u>
Total capital assets being depreciated, net	<u>18,367,454</u>	<u>(401,718)</u>	<u>-</u>	<u>17,965,736</u>
Governmental activities capital assets, net	<u>\$ 19,741,943</u>	<u>\$ 3,949,023</u>	<u>\$ -</u>	<u>\$ 23,690,966</u>
Business-type activities:				
Furniture and equipment	\$ 222,391	\$ 17,073	\$ -	\$ 239,464
Less accumulated depreciation	<u>91,575</u>	<u>20,089</u>	<u>-</u>	<u>111,664</u>
Business-type activities capital assets, net	<u>\$ 130,816</u>	<u>\$ (3,016)</u>	<u>\$ -</u>	<u>\$ 127,800</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 46,340
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Support services:

Student services	4,480
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Instructional staff services	79,747
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Administration services	24,233
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Operation and maintenance of plant services	11,718
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Transportation services	46,013
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	<u>212,531</u>
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Unallocated depreciation	<u>419,517</u>
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Total governmental activities depreciation expense	\$ <u><u>632,048</u></u>
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Business-type activities:

Food service operations	\$ <u><u>20,089</u></u>
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# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 222,171	\$ 15,098	\$ 88,548	\$ 148,721	\$ 124,639
General obligation bonds	6,585,000	5,560,000	390,000	11,755,000	405,000
Revenue bonds	8,685,000	-	510,000	8,175,000	525,000
Energy loan notes	320,000	-	60,000	260,000	60,000
Net OPEB liability	11,000	3,000	-	14,000	-
Total	<u>\$ 15,823,171</u>	<u>\$ 5,578,098</u>	<u>\$ 1,048,548</u>	<u>\$ 20,352,721</u>	<u>\$ 1,114,639</u>

### Early Retirement

The District offered a voluntary early retirement plan to its certified employees for the year ended June 30, 2012. Eligible employees must be at least age fifty-five on or before August 1, 2012 and have 10 years of teaching service in the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible teacher is equal to 30% of the employee's base salary calculated by using the current year regular salary schedule plus extra pay on the extra pay schedule, but not including the school benefit or teacher quality pay. Early retirement benefits for teachers will be paid in three annual installments in September. Early retirement benefits for administrators under a previous plan are being paid in three annual installments in July.

At June 30, 2012, the District has obligations to eleven participants with a total liability of \$148,721. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$88,548. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

### General Obligation Bonds

On June 1, 2012, the District issued \$5,560,000 of general obligation bonds with interest rates of 1.00% to 2.05%. The bonds will be used to crossover refund the June 1, 2004 general obligation bonds with interest rates from 4.1% to 4.8%. The June 1, 2004 revenue bonds are callable on June 1, 2014. Proceeds from the issuance of the June 1, 2012 bonds were placed in escrow and will be used to pay the interest on the new bonds until the June 1, 2014 redemption date and then redeem the remaining outstanding June 1, 2004 bonds.

As a result of the crossover refunding, the District decreased its total debt service requirements by \$721,825, which resulted in a net present value economic savings of \$644,127.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

General Obligation Bonds (continued)

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated June 1, 2004		
		Principal	Interest	Total
2013	4.50 %	\$ 405,000	\$ 278,126	\$ 683,126
2014	4.50	425,000	259,900	684,900
2015	4.10	445,000	240,776	685,776
2016	4.20	460,000	222,530	682,530
2017	4.25	480,000	203,210	683,210
2018-2022	4.30-4.70	2,715,000	684,820	3,399,820
2023-2024	4.75-4.80	1,265,000	91,370	1,356,370
		<u>\$ 6,195,000</u>	<u>\$ 1,980,732</u>	<u>\$ 8,175,732</u>

Year Ending June 30,	Interest Rates	Issue dated June 1, 2012		
		Principal	Interest	Total
2013	- %	\$ -	\$ 82,770	\$ 82,770
2014	-	-	82,770	82,770
2015	1.00	530,000	82,770	612,770
2016	1.00	535,000	77,470	612,470
2017	1.00	540,000	72,120	612,120
2018-2022	1.15-1.90	2,780,000	259,250	3,039,250
2023-2024	2.00-2.05	1,175,000	35,890	1,210,890
		<u>\$ 5,560,000</u>	<u>\$ 693,040</u>	<u>\$ 6,253,040</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2013	\$ 405,000	\$ 360,896	\$ 765,896
2014	425,000	342,670	767,670
2015	975,000	323,546	1,298,546
2016	995,000	300,000	1,295,000
2017	1,020,000	275,330	1,295,330
2018-2022	5,495,000	944,070	6,439,070
2023-2024	2,440,000	127,260	2,567,260
	<u>\$ 11,755,000</u>	<u>\$ 2,673,772</u>	<u>\$ 14,428,772</u>

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 5. Long-Term Liabilities (continued)

#### Revenue Bonds

In the year ended June 30, 2010, the District defeased certain revenue bonds by placing part of the proceeds of new bonds in escrow to provide for all future debt service payments on the old bonds until the July 1, 2013 call date. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2012, \$1,935,000 of bonds outstanding are considered defeased.

Details of the District's June 30, 2012 school infrastructure sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	2.000 %	\$ 525,000	\$ 315,410	\$ 840,410
2014	2.000	320,000	306,960	626,960
2015	3.000	330,000	298,810	628,810
2016	3.000	340,000	288,760	628,760
2017	3.000	355,000	278,335	633,335
2018-2022	3.400-4.100	2,000,000	1,181,423	3,181,423
2023-2027	4.200-4.625	2,490,000	714,341	3,204,341
2028-2030	4.625-4.700	1,815,000	130,563	1,945,563
		<u>\$ 8,175,000</u>	<u>\$ 3,514,602</u>	<u>\$ 11,689,602</u>

The District pledged future statewide sales and services tax revenues to repay the \$8,685,000 bonds issued in March 2010. The bonds were issued for the purposes of refunding the June 2008 revenue bonds and financing various building renovation projects. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 60 to 80 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$11,689,602. For the current year, principal of \$510,000 and interest of \$325,760 was paid on the bonds and total statewide sales and services tax revenues were \$1,047,194.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The resolution providing for the issuance of the school infrastructure sales, services and use tax revenue bonds includes the following provisions:

- (a) \$828,909 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. \$2,942,870 of the proceeds shall be deposited to an escrow account to advance refund the June 2008 revenue bonds. The balance of the proceeds shall be deposited to the Project Fund.
- (b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Fund.
- (c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Energy Loan Notes

Details of the District's June 30, 2012 energy loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.75 %	\$ 60,000	\$ 10,053	\$ 70,053
2014	3.85	65,000	7,802	72,802
2015	3.90	65,000	5,300	70,300
2016	3.95	70,000	2,765	72,765
		<u>\$ 260,000</u>	<u>\$ 25,920</u>	<u>\$ 285,920</u>

Note 6. Other Postemployment Benefits (OPEB)

**Plan Description** – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 23 active and 4 retired members in the plan.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

**Funding Policy** – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.



# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 6. Other Postemployment Benefits (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$	16,700
Interest on net OPEB obligation		300
Adjustment to annual required contribution		<u>(2,000)</u>
Annual OPEB cost		15,000
Contributions made		<u>(12,000)</u>
Increase in net OPEB obligation		3,000
Net OPEB obligation beginning of year		<u>11,000</u>
Net OPEB obligation end of year	\$	<u><u>14,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$12,000 to the medical plan.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 15,000	80.0%	\$ 14,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$132,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$132,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,267,000, and the ratio of the UAAL to covered payroll was 10.4%. As of June 30, 2012, there were no trust fund assets.

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 6. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

### Note 7. Short-Term Debt Activity

During the year ended June 30 2012, the District entered into a short-term interfund loan from the Capital Projects Fund to the Special Revenue, Management Levy Fund. The loan was necessary to provide temporary financing during periods of low cash flows due to timing differences between expenditures and expected property tax revenues. The loan included interest at 0.02%.

A summary of the short-term debt activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Interfund Loans Received	Interfund Loans Repaid	Balance End of Year
Management Levy Fund	\$ -	\$ 180,000	\$ 180,000	\$ -

### Note 8. Operating Leases

The District is obligated under four leases for computers and related equipment that are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Assets. The agreements provide for monthly lease payments during the term of the leases.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Operating Leases (continued)

The total lease payments under the lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 62,093
2014	53,914
2015	<u>13,107</u>
	<u>\$ 129,114</u>

Total payments on operating lease agreements for the year ended June 30, 2012 were \$59,733.

Note 9. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$625,257, \$505,722, and \$483,983, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Mount Vernon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$389,218 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring and induction	\$ 1,838
Professional development	<u>20,856</u>
Total	<u><u>\$ 22,694</u></u>

Note 13. Construction Commitments

The District has entered into various contracts totaling \$5,409,467 for elementary school renovations and technological upgrades. As of June 30, 2012, costs of \$4,805,596 had been incurred against the contracts. The balance of \$603,871 remaining at June 30, 2012 will be paid as work on the projects progresses.

Note 14. Contingency

The District has one ongoing lawsuit. The District's insurance carrier is providing coverage for the lawsuit. The outcome of the case cannot be determined at this time.

## Required Supplementary Information

**MOUNT VERNON COMMUNITY SCHOOL DISTRICT**

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year Ended June 30, 2012**

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 8,150,190	\$ 705,475	\$ 8,855,665	\$ 8,486,814	\$ 8,486,814	\$ 368,851
State sources	5,979,937	5,275	5,985,212	6,045,536	6,045,536	(60,324)
Federal sources	242,345	162,114	404,459	399,895	399,895	4,564
<b>Total revenues</b>	<b>14,372,472</b>	<b>872,864</b>	<b>15,245,336</b>	<b>14,932,245</b>	<b>14,932,245</b>	<b>313,091</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	8,037,426	-	8,037,426	7,531,168	8,174,086	136,660
Support services	3,460,233	4,480	3,464,713	3,663,780	3,824,117	359,404
Non-instructional programs	-	826,848	826,848	882,250	882,250	55,402
Other expenditures	6,345,648	-	6,345,648	8,254,136	8,254,136	1,908,488
<b>Total expenditures/expenses</b>	<b>17,843,307</b>	<b>831,328</b>	<b>18,674,635</b>	<b>20,331,334</b>	<b>21,134,589</b>	<b>2,459,954</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(3,470,835)	41,536	(3,429,299)	(5,399,089)	(6,202,344)	2,773,045
Other financing sources, net	5,579,366	-	5,579,366	-	-	5,579,366
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	2,108,531	41,536	2,150,067	(5,399,089)	(6,202,344)	8,352,411
Balance beginning of year	7,829,510	200,379	8,029,889	7,784,267	7,784,267	245,622
Balance end of year	<u>\$ 9,938,041</u>	<u>\$ 241,915</u>	<u>\$ 10,179,956</u>	<u>\$ 2,385,178</u>	<u>\$ 1,581,923</u>	<u>\$ 8,598,033</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$803,255.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 192	\$ 192	0.0%	\$ 1,963	9.8%
2011	July 1, 2009	-	181	181	0.0%	1,376	13.2%
2012	July 1, 2009	-	132	132	0.0%	1,267	10.4%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.



## Supplementary Information

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 70,834	\$ 103,364	\$ 174,198
Receivables:			
Property tax:			
Current year	2,031	-	2,031
Succeeding year	237,684	-	237,684
<b>Total assets</b>	<b>\$ 310,549</b>	<b>\$ 103,364</b>	<b>\$ 413,913</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 10,623	\$ 10,623
Deferred revenue:			
Succeeding year property tax	237,684	-	237,684
<b>Total liabilities</b>	<b>237,684</b>	<b>10,623</b>	<b>248,307</b>
<b>Fund balances:</b>			
Restricted for:			
Management levy purposes	72,865	-	72,865
Student activities	-	92,741	92,741
<b>Total fund balances</b>	<b>72,865</b>	<b>92,741</b>	<b>165,606</b>
<b>Total liabilities and fund balances</b>	<b>\$ 310,549</b>	<b>\$ 103,364</b>	<b>\$ 413,913</b>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 256,057	\$ -	\$ 256,057
Other	16,477	378,122	394,599
State sources	107	-	107
Total revenues	<u>272,641</u>	<u>378,122</u>	<u>650,763</u>
Expenditures:			
Current:			
Instruction	80,000	373,658	453,658
Support services:			
Administration services	142,883	-	142,883
Transportation services	10,545	-	10,545
Total expenditures	<u>233,428</u>	<u>373,658</u>	<u>607,086</u>
Excess of revenues over expenditures	39,213	4,464	43,677
Fund balances beginning of year	<u>33,652</u>	<u>88,277</u>	<u>121,929</u>
Fund balances end of year	<u>\$ 72,865</u>	<u>\$ 92,741</u>	<u>\$ 165,606</u>

See accompanying independent auditor's report.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,157,831	\$ 416,292	\$ 1,574,123
Receivables:			
Property tax:			
Current year	-	3,295	3,295
Succeeding year	-	427,327	427,327
Due from other governments	146,334	-	146,334
<b>Total assets</b>	<b>\$ 1,304,165</b>	<b>\$ 846,914</b>	<b>\$ 2,151,079</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 109,667	\$ -	\$ 109,667
Deferred revenue:			
Succeeding year property tax	-	427,327	427,327
<b>Total liabilities</b>	<b>109,667</b>	<b>427,327</b>	<b>536,994</b>
<b>Fund balances:</b>			
Restricted for:			
Revenue bonds	828,909	-	828,909
School infrastructure	365,589	-	365,589
Physical plant and equipment	-	419,587	419,587
<b>Total fund balances</b>	<b>1,194,498</b>	<b>419,587</b>	<b>1,614,085</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,304,165</b>	<b>\$ 846,914</b>	<b>\$ 2,151,079</b>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 1,047,194	\$ 407,471	\$ 1,454,665
Other	9,300	18,131	27,431
State sources	-	157	157
Total revenues	<u>1,056,494</u>	<u>425,759</u>	<u>1,482,253</u>
Expenditures:			
Current:			
Instruction	-	9,374	9,374
Support services:			
Instructional staff services	176,662	2,705	179,367
Administration services	-	10,370	10,370
Other expenditures:			
Facilities acquisition	4,287,228	6,532	4,293,760
Total expenditures	<u>4,463,890</u>	<u>28,981</u>	<u>4,492,871</u>
Excess (deficiency) of revenues over (under) expenditures	(3,407,396)	396,778	(3,010,618)
Other financing uses:			
Interfund transfers out	<u>(917,903)</u>	-	<u>(917,903)</u>
Net change in fund balances	(4,325,299)	396,778	(3,928,521)
Fund balances beginning of year	<u>5,519,797</u>	<u>22,809</u>	<u>5,542,606</u>
Fund balances end of year	<u>\$ 1,194,498</u>	<u>\$ 419,587</u>	<u>\$ 1,614,085</u>

See accompanying independent auditor's report.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 June 30, 2012

	School Nutrition	Daycare	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 109,411	\$ 14,838	\$ 124,249
Accounts receivable	-	15,046	15,046
Inventories	4,173	-	4,173
Capital assets, net of accumulated depreciation	127,800	-	127,800
Total assets	241,384	29,884	271,268
<b>Liabilities</b>			
Accounts payable	-	868	868
Salaries and benefits payable	-	15,607	15,607
Deferred revenue	12,878	-	12,878
Total liabilities	12,878	16,475	29,353
<b>Net Assets</b>			
Invested in capital assets	127,800	-	127,800
Unrestricted	100,706	13,409	114,115
Total net assets	\$ 228,506	\$ 13,409	\$ 241,915

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 Year Ended June 30, 2012

	School Nutrition	Daycare	Summer Daycare	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 487,327	\$ 217,558	\$ 581	\$ 705,466
Operating expenses:				
Support services:				
Administration services	1,319	-	-	1,319
Transportation services	3,161	-	-	3,161
Non-instructional programs	615,931	210,917	-	826,848
	<u>620,411</u>	<u>210,917</u>	<u>-</u>	<u>831,328</u>
Operating income (loss)	(133,084)	6,641	581	(125,862)
Non-operating revenues:				
Interest on investments	-	9	-	9
State sources	5,275	-	-	5,275
Federal sources	162,114	-	-	162,114
Total non-operating revenues	<u>167,389</u>	<u>9</u>	<u>-</u>	<u>167,398</u>
Change in net assets	34,305	6,650	581	41,536
Net assets beginning of year	<u>194,201</u>	<u>6,759</u>	<u>(581)</u>	<u>200,379</u>
Net assets end of year	<u>\$ 228,506</u>	<u>\$ 13,409</u>	<u>\$ -</u>	<u>\$ 241,915</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2012

	School Nutrition	Daycare	Summer Daycare	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 462,858	\$ -	\$ -	\$ 462,858
Cash received from miscellaneous operating activities	26,552	202,512	581	229,645
Cash payments to employees for services	(256,233)	(167,251)	(11,518)	(435,002)
Cash payments to suppliers for goods or services	(348,851)	(27,620)	(436)	(376,907)
Net cash provided by (used by) operating activities	(115,674)	7,641	(11,373)	(119,406)
Cash flows from non-capital financing activities:				
State grants received	5,275	-	-	5,275
Federal grants received	148,539	-	-	148,539
Net cash provided by non-capital financing activities	153,814	-	-	153,814
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(17,073)	-	-	(17,073)
Cash flows from investing activities:				
Interest on investments	-	9	-	9
Net increase (decrease) in cash and cash equivalents	21,067	7,650	(11,373)	17,344
Cash and cash equivalents beginning of year	88,344	7,188	11,373	106,905
Cash and cash equivalents end of year	\$ 109,411	\$ 14,838	\$ -	\$ 124,249



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2012

	School Nutrition	Daycare	Summer Daycare	Total
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (133,084)	\$ 6,641	\$ 581	\$ (125,862)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	20,089	-	-	20,089
Commodities used	13,575	-	-	13,575
(Increase) in accounts receivable	-	(15,046)	-	(15,046)
(Increase) in inventories	(974)	-	-	(974)
Increase (decrease) in accounts payable	(243)	751	(436)	72
Increase (decrease) in salaries and benefits payable	-	15,295	(11,518)	3,777
(Decrease) in interfund payable	(17,120)	-	-	(17,120)
Increase in deferred revenue	2,083	-	-	2,083
Net cash provided by (used by) operating activities	<u>\$ (115,674)</u>	<u>\$ 7,641</u>	<u>\$ (11,373)</u>	<u>\$ (119,406)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$13,575 of federal commodities.

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District:				
Interest on Checking	\$ -	\$ 864	\$ 864	\$ -
High School:				
Drama & Speech	-	3,484	3,484	-
Musical	2,006	7,582	9,481	107
Vocal	-	1,101	1,101	-
Band	323	3,115	2,349	1,089
Fine Arts	2,536	10,459	9,949	3,046
Cross Country Co-Ed	-	3,286	3,286	-
Tennis Co-Ed	-	1,116	1,116	-
Boys Basketball	1,247	23,530	24,777	-
Boys Football	6,040	33,221	39,261	-
Boys Soccer	-	3,388	3,388	-
Boys Baseball	-	10,339	10,339	-
Boys Track	-	7,097	7,097	-
Boys Golf	-	1,729	1,729	-
Miscellaneous Athletics	-	11,122	11,122	-
Boys Wrestling	-	12,434	12,434	-
Girls Basketball	1,684	6,644	8,328	-
Girls Volleyball	-	10,339	10,339	-
Girls Soccer	-	3,843	3,843	-
Girls Softball	-	12,685	12,685	-
Girls Track	-	11,155	11,155	-
Fundraising Football	5,277	7,053	7,221	5,109
Fundraising Boys Soccer	800	15	499	316
Fundraising Girls Soccer	250	262	-	512
Boys Basketball Fundraising	-	5,411	4,923	488
Girls Track and Field Fundraising	-	4,226	3,556	670
Pop & Juice	-	3,460	3,460	-
Art Club	1,310	2,431	1,666	2,075
Building Construction	63	-	63	-
Student Activities Group	395	1,200	1,263	332
Strings	725	750	742	733
Electric Vehicle Team	1,833	11,982	13,815	-
Academic Decathlon	100	-	-	100
Student Council	1,009	3,473	2,391	2,091
Chess Club	351	-	-	351
Yearbook	10,306	19,812	21,961	8,157
Class of 2010	426	-	426	-
Class of 2012	386	-	100	286
Class of 2013	1,500	1,706	1,969	1,237

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Class of 2014	\$ -	\$ 1,500	\$ -	\$ 1,500
Cheerleading	2,397	9,379	10,508	1,268
Fall Play	1,894	1,487	1,471	1,910
Dance Group	1,707	979	1,103	1,583
Audio Design Club	-	400	2	398
Robotics	745	9,473	8,915	1,303
Cyber Defense Club	502	-	-	502
Garden Club	212	-	-	212
Archery Club	-	1,203	757	446
Student Council Project	1	1,459	300	1,160
Water Polo Club	19	-	16	3
Thespian Society Club	179	4,992	5,171	-
Speed and Agility Club	5,857	11,700	7,702	9,855
Mustang Munchies	-	92	-	92
International Students Club	-	300	70	230
Entrepreneur Club	-	755	148	607
Scholarship Fund	468	-	468	-
German Trip	240	-	-	240
Spanish Club	581	12,450	13,031	-
Library Club	1,617	773	-	2,390
Band Trip	238	-	-	238
Special Activities Group Fees	341	55	-	396
Middle School:				
Band	-	3,091	3,091	-
Boys Basketball	-	2,568	2,425	143
Boys Football	-	6,767	6,767	-
Boys Track	-	2,193	1,716	477
Boys Wrestling	-	5,497	4,914	583
Girls Basketball	-	2,376	2,376	-
Girls Volleyball	-	3,049	2,821	228
Girls Softball	-	1,593	1,593	-
Girls Track	-	757	757	-
Activities Group Resale	443	-	-	443
Student Activities Group	590	18,233	14,226	4,597
8th Grade Musical	1,149	617	901	865
Strings	-	173	173	-
Student Council	805	1,773	1,718	860
Yearbook	5,594	5,437	4,911	6,120
Science Olympiad	1,623	9,107	9,025	1,705
Canstruction	309	3,261	1,877	1,693
Book Club	124	564	688	-

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School (continued):				
7th Grade Service Club	\$ -	\$ 2,882	\$ 1,819	\$ 1,063
Band Instruments	-	1,008	700	308
Special Activities Group Fees	439	144	-	583
Trips	5,032	177	-	5,209
Birthday Books	94	3,458	3,372	180
Elementary:				
Student Activities Group	14,343	4,157	2,710	15,790
Strings	375	155	290	240
We Tap	803	1,518	2,321	-
Trips	315	-	315	-
Birthday Books	674	256	308	622
Total	\$ <u>88,277</u>	\$ <u>378,122</u>	\$ <u>373,658</u>	\$ <u>92,741</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 5,201	\$ 153,682	\$ 124,536	\$ 34,347
<b>Liabilities</b>				
Accounts payable	\$ 311	\$ 1,281	\$ 311	\$ 1,281
Other payables	4,890	152,401	124,225	33,066
<b>Total</b>	\$ 5,201	\$ 153,682	\$ 124,536	\$ 34,347

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 5,710,704	\$ 5,409,382	\$ 4,917,569	\$ 4,596,588
Tuition	1,807,800	1,690,633	1,441,273	1,470,733
Other	631,686	625,355	503,031	575,068
State sources	5,979,937	5,789,536	4,934,704	5,701,845
Federal sources	242,345	631,863	1,120,415	562,174
Total revenues	<u>\$ 14,372,472</u>	<u>\$ 14,146,769</u>	<u>\$ 12,916,992</u>	<u>\$ 12,906,408</u>
Expenditures:				
Instruction	\$ 8,037,426	\$ 7,203,900	\$ 7,083,873	\$ 7,057,764
Support services:				
Student services	298,961	405,284	660,786	502,479
Instructional staff services	619,775	629,914	601,292	493,556
Administration services	1,299,461	1,381,318	1,459,404	1,353,748
Operation and maintenance of plant services	903,180	719,689	751,148	925,912
Transportation services	338,856	394,642	300,164	404,933
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	4,293,760	1,738,194	786,461	1,802,268
Long-term debt:				
Principal	960,000	675,000	1,040,000	630,000
Interest and fiscal charges	702,670	593,910	676,513	447,423
AEA flowthrough	389,218	423,338	408,485	372,851
Total expenditures	<u>\$ 17,843,307</u>	<u>\$ 14,165,189</u>	<u>\$ 13,768,126</u>	<u>\$ 13,990,934</u>

See accompanying independent auditor's report.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	4,585,983	\$ 3,434,909	\$ 3,230,451	\$ 3,048,884
	1,400,687	1,306,157	1,203,706	1,228,175
	595,915	909,387	879,232	556,514
	5,292,122	4,793,250	4,519,836	4,496,276
	<u>432,670</u>	<u>261,517</u>	<u>550,467</u>	<u>146,445</u>
\$	<u><u>12,307,377</u></u>	<u><u>10,705,220</u></u>	<u><u>10,383,692</u></u>	<u><u>9,476,294</u></u>
\$	6,433,667	\$ 6,677,440	\$ 6,044,316	\$ 5,439,988
	407,570	193,632	187,837	196,895
	434,847	276,986	260,544	387,478
	1,138,812	1,110,943	1,002,951	780,717
	892,467	829,924	847,901	830,463
	402,906	401,843	335,563	312,541
	-	-	-	716
	1,238,509	1,536,328	9,250,683	1,816,041
	600,000	555,000	375,000	510,000
	449,826	447,438	387,031	405,920
	<u>346,567</u>	<u>314,749</u>	<u>290,296</u>	<u>288,897</u>
\$	<u><u>12,345,171</u></u>	<u><u>12,344,283</u></u>	<u><u>18,982,122</u></u>	<u><u>10,969,656</u></u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Mount Vernon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mount Vernon Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 26, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Mount Vernon Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mount Vernon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Vernon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mount Vernon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Vernon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a material instance of noncompliance described as item I-A-12 in the accompanying Schedule of Findings and certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Mount Vernon Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mount Vernon Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Mount Vernon Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mount Vernon Community School District and other parties to whom Mount Vernon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mount Vernon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
October 26, 2012

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

I-A-12 Board Approval – We noted that the Board did not officially approve two computer lease agreements.

Recommendation – All contracts, including computer lease agreements, should be approved by the Board and documented in the minutes. The contracts should be signed by the Board President.

Response – We will make sure that all contracts are approved by the Board, properly documented in the minutes, and signed by the Board President.

Conclusion – Response accepted.

Internal Control Deficiencies:

No matters were reported.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted.
- II-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-12 Board Minutes – Except as noted in comment I-A-12, no transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-12 Supplementary Weighting – The District’s supplementary weighting certified to the Iowa Department of Education for October 3, 2011 was overstated by 0.04 due to a course that was claimed but was not actually in session on that date.
- Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Iowa Department of Management.
- Conclusion – Response accepted.
- II-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting (continued):

II-L-12    Statewide Sales and Services Tax (continued)

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	5,519,797
Revenues:			
Sales tax revenues	\$	1,047,194	
Interest		<u>9,300</u>	1,056,494
Expenditures/transfers out:			
School infrastructure construction		4,287,228	
Equipment		176,662	
Transfers to other funds:			
Debt Service Fund		<u>917,903</u>	<u>5,381,793</u>
Ending balance		\$	<u>1,194,498</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.